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**THE
PLANNING —
PROGRAMMING —
BUDGETING SYSTEM

IN THE
U.S. DEPARTMENT OF AGRICULTURE**

This paper is based on a presentation made on February 1, 1968, by William A. Carlson, Deputy Director of the USDA Planning, Evaluation, and Programming Staff, during the seminar on "Executive Orientation in PPBS" conducted for Forest Service Region 9 personnel by the Civil Service Commission's Bureau of Training, January 30–February 1, 1968, in Milwaukee, Wisconsin.

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Introduction

The initials "PPBS" first gained notoriety in 1961 when Secretary McNamara launched the system in the Defense Department. I have been told that to this day, in some of the more obscure corners of the Pentagon, one can occasionally hear a disgruntled -- or disdainful -- or perhaps merely a harried and desperate General or Admiral refer to 1961 as "The Year the World Began."

The concept and practice of long range program planning and budgeting may well have been such a radical innovation in the Defense Department that it seemed to signal the start of a new era.

But the President's decision to extend certain features of PPBS to civilian agencies in August of 1965 was not as radical an innovation for civilian agencies as it might have seemed to those familiar only with military management practices.

At least no one in the Department of Agriculture is referring to 1965 as "The Year the World Began."

Program budgeting, and long range program planning, were familiar management tools in USDA in 1965 -- and had been for many years. An article in the journal Public Administration Review, in 1960, reported that by 1935 the Department had developed a program classification system to the point that it was used "in printed budget schedules and other budgetary materials furnished to the Bureau of the Budget and congressional committees." 1/

Long range program planning was also a well established practice in some of the constituent agencies of the Department -- notably the Forest Service -- though it was not carried out on a comprehensive basis at the Department level.

But the advent of PPBS did signal a new stage in the development of program planning and program budgeting in USDA -- a new evolutionary stage, but not a revolutionary one.

The major changes have occurred in four areas:

1. The development of a comprehensive program planning framework, covering all USDA activities.
2. The introduction of Program Planning Committees -- sometimes referred to as Program Task Forces -- at the Department level.

1/ "USDA's Pioneering Performance Budget," by Ralph S. Roberts; Public Administration Review, Spring 1960, page 75.

3. The expanded and intensified use of systematic program analysis.
4. The preparation of a documented five-year program and financial plan.

The Program Structure

The program budget classification system developed by the Department, and in use by 1965, was based on the concept that each constituent agency of the Department has unique goals and objectives and therefore should have a distinctive set of budgetary program projects.

There was no attempt to establish an overall Department-wide set of systematically related goals and objectives applicable to all activities.

It was, of course, recognized that many agencies carried out activities which were somehow interrelated -- which aimed at similar objectives. And there were occasional statements in Secretarial speeches, yearbooks, and other documents which expressed certain common unifying themes and missions. But no sustained attempt was made to systematically relate the detailed operations of each agency with all the others in a common planning framework.

As the first step in establishing the PPB System in USDA, Secretary Freeman and his top policy staff had to identify these broader missions and goals which characterize the Department as a whole, identify the activities carried out by the Department's agencies which contribute to these missions and goals, and set up a logical structure -- the Program Structure -- which relates these activities to the goals, which relates the means to the ends.

The definition of the public goals and objectives of the Department is expressed in what is sometimes referred to as an "output-oriented" or "mission-oriented" Program Structure. This means that inputs (money, manpower, administrative systems, etc.) are structured and evaluated in terms of common outputs rather than the conventional procedure of structuring and evaluating inputs in relation to organizational components. The current USDA mission-oriented Program Structure 1/ consists of 20 program planning packages (called program subcategories in the PPBS terminology) grouped under four major program categories and one "general support" category. Each program planning package is in turn subdivided into program elements. There are 166 program elements in the USDA system (from 2 to 21 per subcategory).

1/ See Appendix B.

An activity, let's say research and development, is treated as a means to an end in the Program Structure, not an end in itself. For each of the 20 program planning packages, all USDA agencies and activities contributing to the goals and objectives of the package are brought together and evaluated in terms of their contributions to the common goals and objectives -- regardless of organizational boundaries or relationships. For instance, the following types of activities might comprise a program mix for a typical program planning package:

Research and development
Technical assistance and education
Credit
Cost-sharing
Transfer payments
Insurance
Land management

One or more agencies may carry out one or more activities in a single program element.

The four major Program Categories are:

INCOME AND ABUNDANCE
GROWING NATIONS—NEW MARKETS
DIMENSIONS FOR LIVING
COMMUNITIES OF TOMORROW

Category I - "Income and Abundance" expresses the Department's mission to improve the performance of the American agricultural industry to assure that consumers have adequate supplies of food and fiber at reasonable prices, while farmers receive a fair return on their capital and labor.

It includes three program planning packages:

- Farm Income, which includes programs designed to maintain or increase farmers' income, such as the price support activities, cropland diversion programs, farm ownership loans and farm operating loans, crop insurance, and related research and extension.
- Agricultural Production Capacity, which includes activities aimed at improving the productivity of agriculture and the conservation and maintenance of the resource base, such as

the plant and animal disease and pest control programs, soil and water conservation programs, production efficiency research, cost-sharing for land development, the Federal rangeland management activities of the Forest Service, and related research and technical assistance.

- Agricultural Marketing and Distribution System, which includes activities aimed at improving the efficiency and performance of all phases of marketing and distributing agricultural products such as market regulation, agricultural statistics, market news, product grading, marketing research, and technical assistance.

Category II - "Growing Nations--New Markets" expresses the Department's missions related to international affairs -- to assist lesser developed countries and expand markets for U.S. agricultural products. This includes five program planning packages:

- Food for Freedom
- Export Market Development
- Agricultural Development
- International Agricultural Services
- Imports

In these program planning packages we find the "P.L. 480" activities -- sales and donations of American agricultural products to lesser developed countries; the technical assistance work we do in cooperation with the Agency for International Development; the agricultural attache' service; the foreign trade fairs and other market promotion activities we carry out to expand foreign markets for U.S. agricultural products; and the inspection services we operate at ports-of-entry to assure that imports of foreign animals and agricultural products are not introducing diseases or pests detrimental to domestic varieties.

Category III - "Dimensions for Living" expresses the Department's mission to improve the well-being of all Americans. It includes programs to improve:

- Diets and Nutrition
- Health
- Education and Training
- Services for Living

In the "Diets and Nutrition" planning package we find the major feeding programs -- the Food Stamp Program, the School Lunch Program, and the direct distribution of commodities through local welfare agencies.

"Health" programs include meat and poultry inspection, pesticide research and regulation work, and defense mobilization and civil defense.

"Education and Training" programs include the Job Corps Centers operated by the Forest Service and the 4-H Club work with youth operated by the Extension Service.

"Services for Living" programs include extension, and research on:

- clothing and textiles
- improved food products.

Category IV - "Communities of Tomorrow" expresses the Department's mission to develop and improve rural areas -- to achieve a better rural-urban balance. This includes programs for:

- Community Development Services
- Housing
- Public Facility and Business Expansion
- Resource Protection and Environmental Improvement
- Recreation, Wildlife, and Natural Beauty
- Timber

Here we find loan and grant programs to aid local communities plan and install water and sewer systems, loans for electric and telephone systems, loans and grants for housing, and other resource development projects. Much of the multi-purpose land management and natural resource conservation and development activities of the Forest Service and Soil Conservation Service are in this Category, including the Forest Service recreation and wildlife programs.

The final Category -- General Support -- includes the Office of the Secretary, Department Staff Offices, the General Counsel's Office, the Inspector General's Office, the National Agricultural Library, and some central service operations. This is a very small Category -- less than one-half of one percent of the total. It includes those expenses which cannot be easily or realistically allocated to other programs.

While these five Program Categories encompass all of the Department's activities, many of the activities have significant characteristics which make it desirable -- for certain analytical and presentation purposes -- to regroup and display them in another classification system.

So we have included in the Program Structure two additional "non-add" Categories:

- RESOURCES IN ACTION
- SCIENCE IN THE SERVICE OF MAN

These titles cover: (a) all activities for the conservation and development of natural resources, and (b) all research and extension activities. Since some research and extension are for natural resource conservation and development, they appear in both "non-add" Categories.

The major advantage of looking at these activities separately, in addition to evaluating them as components of other program planning packages, is that there are significant issues of internal balance within resource programs and research programs that might be overlooked if these activities were viewed exclusively as components of other systems. But the primary criteria for program planning and budgeting are the relative efficiency and effectiveness of these activities as parts of larger output-oriented systems. In the final analysis, they are programmed in the Subcategories of the first four Program Categories.

Relationship of the Program Structure to the Organization Structure

You can compare the outline of the Program Structure with the Organization Chart 1/ and appreciate the extent to which they are structured on different principles.

USDA is organized primarily along functional and subject matter specialty lines. Forestry, research, soil conservation, credit, insurance -- these are the organizational modes. Organizing in terms of function or subject matter specialty has significant management advantages. You can group common skills and processes together, which facilitates recruiting, training, manpower utilization, supervision, and control.

1/ See Appendix C

Individual agencies are grouped under the general direction of 4 Assistant Secretaries and 2 "Directors" who are equivalent in authority to Assistant Secretaries but do not have the title. There are 20 program agencies and 4 Department-level staff groups, which together comprise the 24 "agencies" for program planning and budgeting purposes.

The conventional budget presents annual estimates in terms of these organizational entities -- each agency has its own separate budget, broken down by appropriation accounts and budget "projects" within appropriation accounts. There is no common "output" oriented classification system relating the activities of one agency to another, even when those activities contribute to the same goals and objectives.

The PPBS Program Structure attempts to overcome this deficiency by relating each agency's components to the common goals and objectives it shares with other agencies.

This is illustrated in Figures 1, 2, and 3.

Figure 1 displays a hypothetical budget for five hypothetical agencies in USDA -- in the conventional budget format. Note that it covers only one future year.

Figure 2 displays the same budget, for the same agencies, but in terms of the PPBS Program Structure. For the sake of a simplified illustration, it is assumed that the five agencies participate in only the first three Subcategories in the PPBS Program Structure. Note that the forward time horizon is extended for five more years.

Figure 3 shows the "Crosswalk" -- the matrix which cross-classifies the agencies by subcategories. This enables conversion of program planning decisions made in the PPBS Program Structure to the conventional agency budget structure for implementation of the plans.

Figure 4 shows how extensive this cross-classification actually is in the USDA system -- with 20 subcategories and 24 agencies, and an average of about 6 agencies per subcategory.

This fragmentation of agencies, and regrouping of the pieces according to program goals and objectives, necessarily requires more flexible (and costly) accounting and other management information systems in order to provide information in the formats of both the conventional budget and the new PPBS Program Structure.

Eventually it is hoped that the Congress will revise the conventional budget structure and make it the same as the new Program Structure, thus simplifying the accounting and information systems.

Figure 1

Conventional Budget Structure
(Dollars in Millions)

	<u>Budget Year</u>
<u>Research Agency:</u>	
Crops research	\$ 140
Animal research	120
Economic research	30
Total, Research Agency	290
<u>Credit Agency:</u>	
Farm operating loans	200
Commodity loans	2,400
Total, Credit Agency	2,600
<u>Technical Assistance Agency:</u>	
Grants to States	50
Administrative expenses	5
Total, Technical Assistance Agency	55
<u>Statistical Agency:</u>	
Crop estimates	15
Livestock estimates	12
Total, Statistical Agency	27
<u>Land Management Agency:</u>	
Management of Federal rangeland	11
Total, all agencies	2,983

Figure 2

PPBS Program Structure
(Dollars in Millions)

<u>Programs</u>	<u>Budget</u>	<u>B Y</u>				
	<u>Year</u>	<u>+1</u>	<u>+2</u>	<u>+3</u>	<u>+4</u>	<u>+5</u>
Farm income	\$ 2,530	\$ 2,400	\$ 2,100	\$ 2,000	\$ 2,000	\$ 2,000
Agricultural production capacity	382	368	357	350	325	300
Agricultural marketing and distribution system	71	75	80	80	80	80
Total	<u>2,983</u>	<u>2,843</u>	<u>2,537</u>	<u>2,430</u>	<u>2,405</u>	<u>2,380</u>

Figure 3

Crosswalk -- Budget Year
(Dollars in Millions)

Programs	Research Agency	Credit Agency	Technical Assistance Agency	Statistical Agency	Land Mgt. Agency	Total
Farm income.	\$ 10	\$ 2,500	\$ 20	\$ ---	\$ ---	\$ 2,530
Agricultural production capacity.	230	100	26	15	11	382
Agricultural marketing and distribution system.	50	---	9	12	---	71
Total.	290	2,600	55	27	11	2,983

UNITED STATES DEPARTMENT OF AGRICULTURE
Agency Locations in the PPBS Program Structure

PROGRAM CATEGORY Program Subcategory	Agencies																						
	ARS	CSRS	FES	FCS	SCS	ERS	SRS	C&MS	FAS	IADS	CEA	ASCS	FCIC	REA	FHA	RCDS	OIG	OGC	Inf	NAL	OMS	FS	GA
INCOME AND ABUNDANCE:																							
Farm Income.....	X	X	X	X	X	X					X	X		X									
Agricultural Production Capacity.....	X	X	X	X	X	X					X											X	
Agricultural Marketing and Distribution System.....	X	X	X	X	X	X					X	X										X	
GROWING NATIONS—NEW MARKETS:																							
Food for Freedom.....											X			X									
Export Market Development.....	X	X									X			X									
Agricultural Development.....	X	X	X	X	X	X					X			X									
International Agricultural Services.....																							
Imports.....	X										X			X									
DIMENSIONS FOR LIVING:																							
Diets and Nutrition.....	X	X	X								X			X									
Health.....	X	X	X								X			X								X	
Education and Training.....																						X	
Services for Living.....	X	X	X								X			X									
COMMUNITIES OF TOMORROW:																							
Community Development Services.....	X	X	X	X	X	X												X	X			X	
Housing.....	X	X	X	X	X	X												X					
Public Facility and Business Expansion.....																		X	X				
Resource Protection and Environmental Improvement.....	X	X																					
Recreation, Wildlife, and Natural Beauty.....																							
Timber.....	X	X	X																				
GENERAL SUPPORT:																							
General Administration.....																							
Program Support.....	X																						

The Program Planning Mechanism at the Department Level

The planning process at the Department level includes the following generalized steps:

1. The definition of public goals and objectives.
2. The identification or design of alternative programs (methods, means, or systems) to achieve the specified goals and objectives.
3. Evaluation of the relative cost and effectiveness of the alternatives, or combinations of the alternatives -- over time.
4. Selection of the preferred alternative or combination.

In USDA the planning process covers three overlapping time-frames:

1. The year 2000,
2. The five-year PPBS program planning period, and
3. The annual budget.

The mechanism for program planning at the Department level (defining goals and objectives for each of the three time-frames, identifying and evaluating the cost and effectiveness of alternatives, and developing a proposed plan of action) consists of three major components:

1. Program Planning Committees (sometimes referred to as Program Task Forces), each chaired by an Assistant Secretary, with agency heads or their representatives as members.
2. The Program and Budget Review Committee, chaired by the Under Secretary, with Assistant Secretaries and Directors as members.
3. The Secretary.

Program Planning Committees receive, review, and evaluate agency program proposals and special evaluation studies; develop a proposed multi-year plan of action (including outputs and inputs) for the program planning period, and a draft Program Memorandum for each program planning package setting forth the program recommendations and supporting analysis; and transmit these materials with recommendations through the chairman to the Program and Budget Review Committee.

Because its activities may be included in several program areas, one agency may be represented on several task forces.

The Program and Budget Review Committee reviews Program Planning Committee recommendations, modifies them as needed, and makes its recommendations to the Secretary.

The Secretary makes the final Department decision on goals, objectives, programs, and program levels for subsequent review and approval by the President and the Congress.

This set of arrangements is represented schematically in Figure 5. This process is similar to the one used in the years prior to 1965 -- except for the introduction of the program planning committees. Because the new planning framework cuts across agency lines, and across the agency jurisdictions of the Assistant Secretaries, some device is needed to bring the program and policy issues into focus across these traditional bureaucratic lines.

In previous years, when specific problems compelled attention to interagency planning coordination -- usually on a crisis basis -- we did use ad hoc interagency groups to do this job. The only real difference under the PPB System is that we have recognized the permanent nature of these coordination problems and have established a permanent mechanism to cope with them.

Systematic Program Analysis

The third major change introduced by PPBS is the much greater emphasis being placed upon the application of systematic analysis to programs.

The use of systematic analysis was not new to the Department either. For a long time we had been applying quantitative techniques to selected program issues -- including economic and statistical analysis.

But PPBS forced us to extend these methods to program areas where they hadn't been tried before and to apply them at organizational levels new to their use.

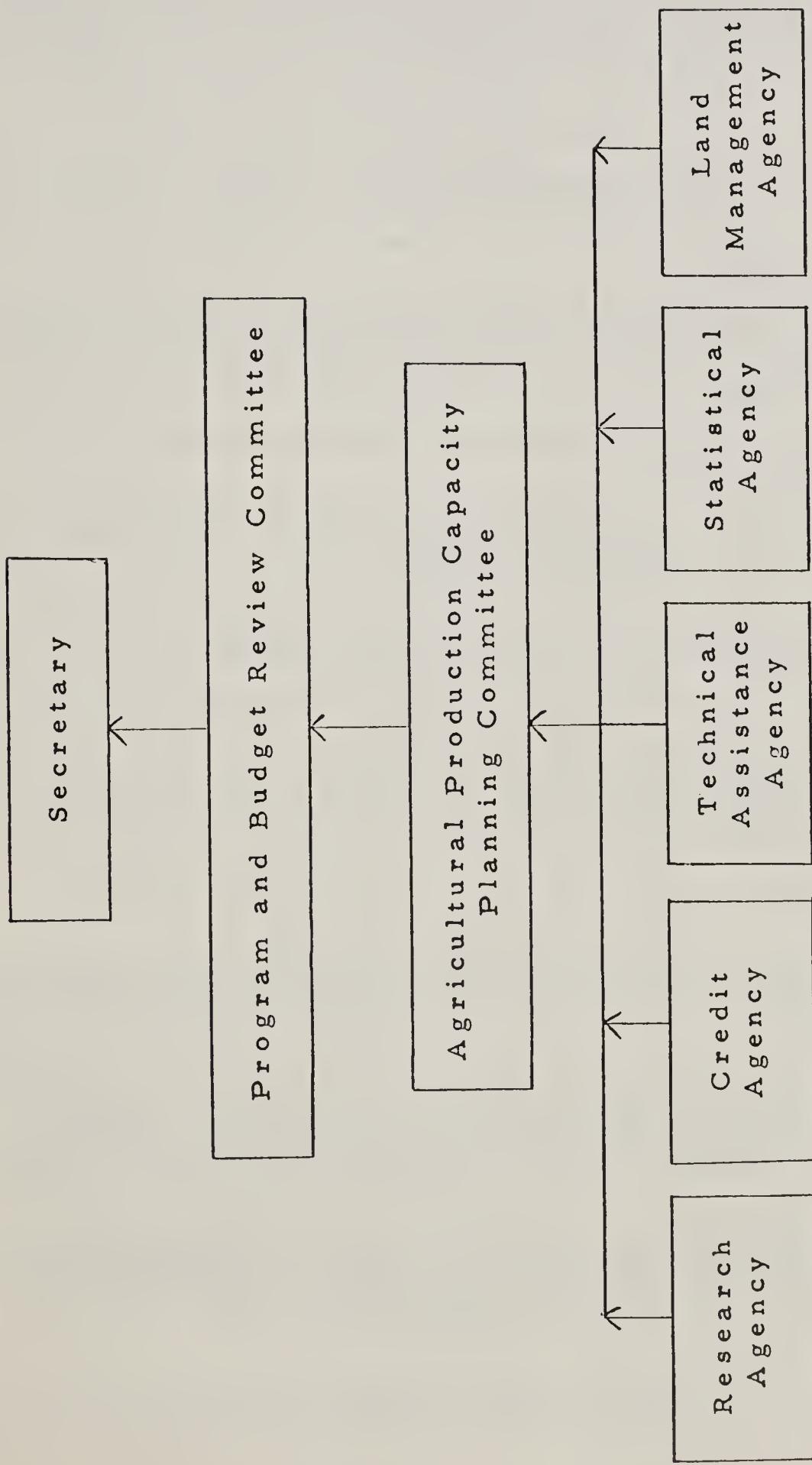
A lot of us have had to go back to school for a while to find out what's been happening during the past 10-20 years in these fields, since major developments and improvements in techniques and methods have occurred.

The recasting of activities into new sets of programs has opened up many new types of analytical questions which lend themselves to the use of more systematic quantitative techniques.

The Department of Agriculture Program Planning System

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Figure 5



For instance, the program planning strategy involves selecting for each program planning package a set of activities and program levels which: (a) will yield the maximum output of specified benefits to selected target groups within a given budget level, or (b) will yield a given output of specified benefits to selected target groups at minimum cost; in either case, within applicable constraints.

To evaluate the relative contributions that an activity, such as research or credit, can make as a component of a program planning package, policy makers need to have information answering the following questions:

1. What are the expected outputs of the activity (goods, services, products, processes, or significant technological developments or events)?
2. What are the nature and extent of the anticipated net benefits of these outputs?
3. How are these net benefits likely to be distributed (who receives them, how much, and when)?
4. In what manner do these net benefits contribute to the goals and objectives of the program planning package?
5. What is the probability of successful attainment of the output, and when is it likely to occur?
6. What are the expected costs, over time, of the activity -- at different activity rates?
7. Who pays how much of the costs (Federal, State, industry, private)?
8. What are the relative costs and effectiveness of alternative methods of performing the activity (contract, grant, in-house, etc.)?

To establish the degree of confidence that can be placed in estimates and predictions concerning the above, we are developing documented systematic analyses of historical results of activities covering the same type of information -- on a quantitative basis wherever possible.

I don't intend to suggest -- or predict -- that everything will be done "by the numbers" from now on. Far from it. We understand -- I hope -- the difference between those factors that are unmeasurable, and those which have simply been unmeasured up to now.

But we do believe that more sophisticated systematic analysis -- including quantitative analysis where numbers are available and relevant -- will help decision-makers apply experienced judgment more effectively.

And while we don't believe that all problems can be solved entirely on a quantitative basis -- we do believe that in many areas we have not made as much use of quantitative analysis as we could, and should.

When Secretary Freeman formally launched the Planning-Programming-Budgeting System in the Department, he directed each of the eight largest agencies to establish full-time analytic staffs reporting directly to top agency management. 1/ At the same time, he set up a central staff in the Immediate Office of the Secretary -- now called the Planning, Evaluation, and Programming Staff.

In many cases this merely resulted in program analysts already in business being designated as staff members in the new units. But in many cases, it also resulted in a substantial increase in the number of analysts working on program evaluation.

Last year we reported to the House and Senate Appropriations Committees that the staff effort directly attributable to PPBS for the entire Department was about 70 man-years, costing \$1 million annually.

This group of analysts, in addition to their organizational roles, also serve as technical staff aides to the Program Planning Committees. At least one analyst from Secretary Freeman's staff plus analysts from agency staffs are assigned to each of the program task forces.

The Program and Financial Plan

The fourth significant change made by PPBS is the requirement that we develop and document, for the Department as a whole, a comprehensive, balanced, internally consistent multi-year Program and Financial Plan (PFP).

This Plan must relate quantitative output targets to goals and objectives -- by years -- and specify the resources required (the inputs needed) to achieve those targets.

This had never been done before for USDA -- although a few (a very few) individual agencies had done this on their own initiative.

1/ See Secretary's Memorandum No. 1589, Appendix A.

A draft PFP covering fiscal years 1968-1972 was prepared in calendar year 1966, but because the effort was experimental and the results unsatisfactory, Secretary Freeman did not give that draft plan his approval. Last year agency and Department level staff and policy officials intensified their efforts, and succeeded in developing a five-year plan covering fiscal years 1969-1973 that met the Secretary's standards. He gave his formal approval to it last Fall. It was sent to the Budget Bureau, and the first year of the Plan -- FY 1969 -- became the Department's official budget request for that year.

When President Johnson's budget decisions were made for 1969, we updated the plan to conform to his Budget, and are now beginning to develop revisions to cover fiscal years 1970-1974.

The new Program Structure, and the planning mechanism itself, have thus developed to the point where they are "operational" that is, they are in fact being used to make decisions at the Departmental level. They are also operational in the sense that these decisions, I am personally convinced, are in some key areas different from the decisions that were made, or would have been made, under the previous system. I also believe that they are -- on the whole -- better decisions, though you might find some disagreement about that in certain circles in Washington.

Implementation of the Plan

Our concern in PPBS is not exclusively with the development of program plans and budgets, of course. We are also vitally interested in the follow through -- the carrying out of the plan. Implementation of the approved plan of action (that is -- the approved annual budget) in the Department of Agriculture is primarily the responsibility of the heads of constituent agencies by specific delegation of authority from the Secretary.

In contrast with the Department-level mechanism for program planning, Secretary Freeman exercises direction and control over program implementation through cognizant Assistant Secretaries and Directors, each responsible for a set of constituent agencies.

While the Secretary does not directly implement programs, he is responsible for seeing that administrative systems for implementing programs are well designed and operating effectively. To discharge this responsibility he needs assurance that information is available to Assistant Secretaries, Directors, and staff offices on the extent and quality of constituent agency capability and performance. This includes performance in producing the outputs the agency "contracted" to produce when the input resources were approved.

The existing program reporting and financial management systems were, of course, geared to the conventional agency and budget structure. While some of the program reporting -- and much of the financial reporting -- fit very nicely into the new PPB Program Structure, we found that we could not rely on existing systems entirely to permit monitoring program accomplishments in terms of the new structure. Since the resource allocation decisions of the Secretary and the President are being made in terms of the new program categories, we must have some means of ascertaining whether the resources are being used to produce the outputs agreed upon when the decision was initially made -- and, if not, what steps can and should be taken.

On the output side we found that agencies had been using quantitative measures of accomplishment in the old system -- but many of them had never established reliable reporting systems to determine performance against these same measures. So we have established what is called a Program Attainment Reporting System -- to obtain periodic reports of the status of achieving the outputs targeted for the year. At present, this is exclusively an output reporting system -- not linked to inputs. We did this deliberately in order to focus attention and energies on the output problem -- and not let people be tempted to concentrate all their energy and time on input reporting. We already had fairly good input reporting under the previous system -- much of it directly relatable to the new program structure.

Now that we have made a fair start on improving output reporting, we are beginning to turn our attention to improving the input side. Efforts are underway in all agencies to redesign accounting systems in accordance with new principles and standards issued by the General Accounting Office -- which, incidentally, require accounting support for the PPB Program Structure as well as for the conventional budget structure.

In Conclusion

I don't want to leave the impression that I feel we have reached the point where the PPB System is operating at peak efficiency or effectiveness in the Department.

We have made considerable progress in the past two years -- but we have a long way to go.

There are still a lot of problems:

- Lack of adequate data for many programs
- Insufficient numbers of trained and experienced personnel

- Lack of agreement on the specifications for some of our program goals and objectives.
- Continuing resistance and foot-dragging by some people who don't like change, or who are not convinced that this particular change will help them.

But we have come far enough along to be able to say with some assurance that the outstanding question is whether we can improve the system -- not whether we will have the system.

Our success in improving the system depends in large part on engaging the widespread participation of the many skilled people who work day in and day out on the various contributing management systems throughout the agencies.

Their willingness to participate effectively depends in large part on their understanding of what it is for, and why. And perhaps, to some extent on their understanding of what it is not.

I feel that the subject of PPBS can particularly benefit from some discussion of what it is not -- because there seems to be more than the usual amount of misunderstanding and misinformation surrounding it.

So let me conclude by making a few comments on what PPB is not -- at least as we view it in the Department of Agriculture.

PPB is not -- an attempt to centralize decision-making. PPB is just a somewhat more systematic and rigorous way of looking at how the resources available can be used most effectively to help reach the goals of the Nation.

It does involve the use of a set of special techniques -- but they are techniques that are as applicable and helpful to decentralized decision-making as to centralized decision-making. The techniques are essentially neutral with respect to the centralization-decentralization question.

PPB is not -- a scheme to turn decision-making over to electronic computers. A lot of people today are arguing that computers can't do this job -- can't "make these decisions." The fact is -- no responsible person I know has ever claimed that computers could make the types of decisions involved here. Perhaps it will be enough at this point to quote something President Johnson said in his statement to the Cabinet on August 25, 1965, when he launched PPBS throughout the Government:

"It is important to remember one thing: no system, no matter how refined, can make decisions for you. You and I have that responsibility in the Executive Branch. But our judgment is

no better than our information. This system will present us with the alternatives and information on the basis of which we can, together, make better decisions. The people will be the beneficiary." 1/

PPB is not -- merely a "numbers game"; it is not just a more elaborate, complicated, and expensive way to get the same results as the old way. The expectation is that the "numbers will count" -- that through these techniques decision-making will be improved.

That means that some decisions will turn out to be different from what they otherwise would have been. This in turn means, or could mean, that some activities receive less favorable consideration. But it also means that many activities receive more favorable consideration.

I suspect that much of the apprehension about PPB felt by many program managers is due to the fact they are not quite certain in which category they will fit.

Finally, PPB is not -- a way to get maximum effectiveness for minimum cost. This statement always startles my budget friends -- and others -- who assume that this is the only worthwhile objective of the whole system.

But if you listen carefully to the theorists, and read carefully the growing body of literature, you will discover that the position is that maximum effectiveness at minimum cost is an impossible goal.

One of the key documents in PPB history is the book written by Hitch and McKean, published in 1960 under the title Economics of Defense in the Nuclear Age. Here's how they put it:

"Actually, of course, it is impossible to choose that policy which simultaneously maximizes gain and minimizes cost, because there is no such policy. To be sure, in a comparison of policies A and B, it may turn out occasionally that A yields greater gain, yet costs less, than B. But A will not also yield more and cost less than all other policies, C through Z; and A will therefore not maximize yield while minimizing cost. Maximum gain is infinitely large, and minimum cost is zero. Seek the policy which has that outcome, and you will not find it." 2/

1/ White House Press Release, August 25, 1965.

2/ The Economics of Defense in the Nuclear Age, by Charles J. Hitch and Roland N. McKean; originally published by Harvard University Press; page 165 of the First Atheneum Edition, 1965 (paperback).

The same point is illustrated by an anecdote they tell in the Defense Department about a new bomber developed as a result of PPB systems analysis -- you may have heard about it -- it was designed to fly at the speed of light, which it did, but its range was zero.

* * * * *

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

Appendix A

October 27, 1965

SECRETARY'S MEMORANDUM NO. 1589

Planning - Programming - Budgeting System

The President has directed that we install an integrated Planning - Programming - Budgeting System.

The new system will improve the program and budget decision-making process by providing more effective information for all of us to use in allocating resources to accomplish our predetermined objectives.

Specialized staff assistance is essential to the successful operation of this system. Permanent Department and agency planning and programming staffs, operating within the framework of overall policy guidance, will --

- * Conduct comprehensive reviews to define program objectives in specific terms capable of being analyzed, with definite time periods in which the objectives are to be accomplished. In order to make intelligent budget choices, we must be able to analyze the output of a program and compare what we get with what we have to pay. To do this we must be specific about program objectives.
- * Identify concrete measures of program effectiveness. To improve the decision-making process we will have to go beyond formulating our objectives more clearly and analytically. The second major task will be to develop "indicators" that tell us how well -- or poorly -- we are doing. It will not be easy to get simple measures that can tell us how we are doing but I believe we can develop measures of effectiveness that are not only useful but essential if we are to understand how our programs contribute to our objectives.
- * Develop and compare alternative ways of accomplishing objectives. The third crucial step in this process

is the development and comparison of alternative ways of doing the job. We need to examine and reexamine existing programs as well as new ones in our search for better alternatives.

These tasks cannot be carried out on a short-term, ad hoc basis. Instead, it calls for a continuing effort to study our existing and proposed programs in the needed depth. We need to deepen our understanding about objectives and measures of effectiveness and to develop increasingly better alternatives over time. To do this requires that we establish a planning - programming - budgeting staff of highly competent people throughout the Department. They will prepare a comprehensive multiyear Program and Financial Plan for approval by the Secretary. Annual budget decisions will be based upon the Program and Financial Plan and Special Studies.

In initiating the system, programs will be grouped according to their major objectives or missions.

In many cases, these groupings will cut across agency lines.

In regrouping programs into a structure that will facilitate meaningful analysis, the staffs will be asking the following questions:

What do we do (program)?
Why do we do it (objective)?
How are we doing (output in relation to our objectives -- i. e., RESULTS)?

Although the Under Secretary has primary responsibility for establishing the system and for coordinating its operation, the Program and Budget Review Committee will continue to provide a means for coordinated policy review of program and budget issues, and I will personally participate in the evaluation and approval of the Department's Program and Financial Plan.

A staff is being established in the Office of the Secretary to coordinate and conduct special studies; review and help prepare the Program and Financial Plan; and analyze the effectiveness of programs designed to achieve major Department objectives. This staff will be directed by Howard W. Hjort who is hereby designated Special Assistant to the Under Secretary. The Director and his staff will work in close cooperation with the agencies and staff offices of the Department. Their work will be carefully coordinated with the work of the Office of Budget and Finance.

Each agency head will take action to assure that he has adequate staff resources available to analyze the effectiveness of agency programs and participate in special studies. At a minimum, the head of each of the following agencies should take immediate steps to select or designate a staff or highly competent persons who will be available to assist him on a full-time basis in this effort:

Agricultural Research Service	Foreign Agricultural Service
Agricultural Stabilization and Conservation Service	Forest Service
Consumer and Marketing Service	Rural Electrification Administration
Farmers Home Administration	Soil Conservation Service

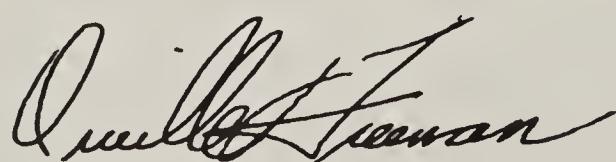
Agency staffs will report directly to the agency head. Guidance and assistance in determining personnel requirements and functions of the agency staffs may be obtained from the Director of the Department's staff. The names of persons selected should be furnished to the Director as soon as possible -- but not later than November 30.

More detailed procedural instructions and guidelines will be issued from time to time. It is vital that we proceed promptly and vigorously to get this system into operation. The President intends to use it for the development of his fiscal year 1968 budget -- a process which will begin within the next three months.

This is a big job -- and a tough one.

The President believes it can be done -- and so do I.

Your effort, ingenuity, and cooperation are needed -- and expected.

A handwritten signature in black ink, appearing to read "Lyndon B. Johnson". The signature is fluid and cursive, with "Lyndon" at the top, "B." in the middle, and "Johnson" at the bottom.

USDA Program Structure
(Dollars in Millions)

PROGRAM CATEGORY Program Subcategory	FY 1967 Actual
<u>INCOME AND ABUNDANCE:</u>	\$
Farm income.....	3,783
Agricultural Production Capacity.....	591
Agricultural Marketing and Distribution System.....	79
Total, Income and Abundance.....	4,453
<u>GROWING NATIONS—NEW MARKETS:</u>	
Food for Freedom.....	1,618
Export Market Development.....	20
Agricultural Development.....	3
International Agricultural Services.....	7
Imports.....	13
Total, Growing Nations—New Markets.....	1,662
<u>DIMENSIONS FOR LIVING:</u>	
Diets and Nutrition.....	823
Health.....	73
Education and Training.....	24
Services for Living.....	49
Total, Dimensions for Living.....	970
<u>COMMUNITIES OF TOMORROW:</u>	
Community Development Services.....	22
Housing.....	131
Public Facility and Business Expansion.....	561
Resource Protection and Environmental Improvement.....	220
Recreation, Wildlife, and Natural Beauty.....	53
Timber.....	302
Total, Communities of Tomorrow.....	1,290
<u>RESOURCES IN ACTION:</u> 1/	
Resources for Agricultural Production.....	(416)
Resources for Timber.....	(302)
Resources for Recreation, Wildlife, and Natural Beauty.....	(53)
Resources for Community Development.....	(58)
Resource Protection and Environmental Improvement.....	(220)
Total, Resources in Action.....	(1,049)
<u>SCIENCE IN THE SERVICE OF MAN:</u> 1/	
Income and Abundance.....	(178)
Growing Nations—New Markets.....	(7)
Dimensions for Living.....	(90)
Communities of Tomorrow.....	(24)
Resources in Action.....	(61)
Total, Science in the Service of Man.....	(361)
<u>GENERAL SUPPORT:</u>	
General Administration.....	4
Program Support.....	23
Total, General Support.....	27
TOTAL, USDA.....	8,401

1/ The figures in these Categories are included for display purposes only, and are not included in Department totals. They represent a reclassification of certain programs included in the other Categories.

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